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[DUE BY May 17, 2013]

Via "www.FDIC.gov/regulations/laws/federal/propose.html"

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: Proposed Revisions to Interagency Questions and Answers Regarding Community Reinvestment

Dear Mr. Feldman:

The following comments are submitted on behalf of International Bank of Commerce—Laredo, and its bank holding company, International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas, with approximately $11.5 billion in total assets. IBC holds four state nonmember banks ranging in size from approximately $520 million in total assets to almost $10 billion. IBC is the largest Hispanic-owned banking organization in the continental United States. IBC is well-positioned to understand the challenges of this proposal. Each of the IBC four subsidiary banks is a community bank with less than $10 billion in assets. Many of the markets that IBC serves are low income minority communities that offer limited banking alternatives.

On March 18, 2013, the FDIC, along with the OCC and Board of Governors of the Federal Reserve System (collectively, "Agencies"), proposed to clarify their Interagency Questions and Answers Regarding Community Reinvestment to address several community development issues. The Agencies propose to revise five questions and answers, which address (i) community development activities outside institutions' assessment areas, both in the broader statewide or regional area and in nationwide funds; (ii) additional ways to determine whether recipients of community services are low- or moderate-income; and (iii) providing a community development service by serving on the board of directors of a community development organization. The Agencies also propose to add two new questions and answers, one of which addresses the treatment of community development performance in determining an institution's lending test rating, and the other addresses the quantitative consideration given to a certain type of community development investment. Finally, the Agencies also propose to redesignate one question and answer without substantive change.

A. Community Development Activities Outside an Institution's Assessment Area(s) in the Broader Statewide or Regional Area That Includes the Institution's Assessment Area(s)

The Agencies propose to revise Q&As § __.12(h)-6 and § __.12(h)-7 to further clarify that community development activities in the broader statewide or regional area that includes an institution's assessment area(s) will be considered in the evaluation of an institution's CRA performance.

The first paragraph of the answer in Q&A § __.12(h)-6 would remain unchanged. Accordingly, the Agencies would reaffirm that an institution's activity will be considered a community development loan or service or a qualified investment if it supports an organization or activity that covers a statewide or regional area that is larger than, but includes, the institution's assessment area(s). The institution's assessment area(s) need not receive an immediate or direct benefit from the institution's participation in the organization or activity, provided that the purpose, mandate, or function of the organization or activity includes serving geographies or individuals located within the institution's assessment area(s).

We support the proposed change because too many institutions try to find scarce community development projects to fulfill their CRA obligations in some locations, while, in other locations, there are few or no institutions attempting to address community development needs. Also, while the activities of the organization or fund may not always directly benefit the institution's assessment area(s), we believe that, at some point, the institution's assessment area(s) may receive some benefit. Overall, community development has the effect of improving the circumstances for low- and moderate-income individuals, or of stabilizing and revitalizing the communities in which they live or work. For these reasons, these community development loans and services and qualified investments to or in such community development projects, organizations, or entities should receive CRA consideration.

The Agencies further propose to revise the second paragraph of the answer in Q&A § __.12(h)-6 to remove the phrase "adequately addressed the community development needs of its assessment area(s)." Instead, the Agencies propose to state that community development activities located in the broader statewide or regional area that includes an institution's assessment area(s) but that will not benefit those assessment area(s) "must be performed in a safe and sound manner, consistent with the institution's capacity to oversee those activities and may not be conducted in lieu of, or to the detriment of, activities in the institution's assessment area(s). When evaluating whether community development activities are being conducted in lieu of, or to the detriment of, activities in the institution's assessment area(s), examiners will consider an institution's performance context, including the community development needs and opportunities in its assessment area(s), its business capacity and focus, and its past performance."

We support the proposed revision given the current lack of clarity regarding the meaning of the term "adequately addressed," which we believe has caused some institutions to be unwilling to engage in community development activities without knowing with a degree of certainty that they will receive consideration for such activities in their CRA evaluations. Furthermore, we believe that banks should receive a higher CRA credit rating for demonstrated past performance when their employees consistently devote numerous volunteer hours to community development activities over an extended period of years versus those banks that do not do so. Anyone can write a check to a community organization; however, the true essence behind CRA should be to encourage banks and their employees to become personally engaged in their communities and to help improve their communities by volunteering with community organizations. IBC's subsidiary bank employees have a long history of consistently devoting numerous hours to community development activities over an extended period of years. Such activities further the objectives of CRA. We believe that banks, such as IBC's subsidiary banks, should receive a higher CRA credit for demonstrated past performance when their employees consistently devote volunteer hours to community development activities over an extended period of years versus those banks that do not do so.

In Q&A § __.12(h)-7, the Agencies propose to modify the current description of what is meant by the term "regional area" for additional clarity and flexibility. In addition, to prevent the misinterpretation described above, the Agencies propose to delete the rest of the Q&A. The Agencies believe this text is no longer necessary given the misinterpretation of the current language and the clarification that is being provided in proposed revised Q&A § __.12(h)-6.

Given the current lack of clarity, we believe that some institutions have been unwilling to engage in community development activities without knowing with a degree of certainty that they will receive consideration for such activities in their CRA evaluations. Accordingly, we support the proposed change.

B. Investments in Nationwide Funds

The Agencies are proposing to revise Q&A § __.23(a)-2. First, as in the 2009 Q&A, the proposed Q&A would state that there may be several ways to demonstrate that an institution's investment in a nationwide fund meets the geographic requirements and that the Agencies will employ flexibility when reviewing information provided by the institution. The proposed Q&A also would highlight that information about where a fund's investments are expected to be made or targeted usually will be found in the fund's prospectus, or other documents provided by the fund prior to or at the time of the institution's investment.

The proposed revised Q&A recognizes that nationwide funds are important sources of investments for low- and moderate-income and underserved communities throughout the country and can be an efficient vehicle for institutions in making qualified in making qualified investments that help meet community development needs.

We support the proposed change. The Agencies should help regional financial institutions make investments in multi-investor funds and encourage those institutions to invest in areas outside of their markets, especially in rural and underserved areas. Nationwide funds can be an efficient and effective means of addressing community development needs. A retail financial institution should be able to receive consideration for qualified investments, regardless of their location, if the institution has adequately addressed the credit needs in its assessment area(s). We further believe a "Satisfactory" rating on the institution's previous examination would be indicative of adequately addressing credit needs in its assessment area(s).

C. Community Services Targeted to Low-or-Moderate-Income Individuals

The Agencies propose to revise Q&A § __.12(g)(2) – 1 to add targeting of a community service to individuals who receive or are eligible to receive Medicaid as another example of how a financial institution could determine that community services are targeted to low- or moderate-income persons.

We support the proposed change because the state poverty levels used to determine Medicaid eligibility are, in most cases, less than or similar to the income levels considered low- or moderate-income under the CRA regulations. The Medicaid eligibility standards are now, and consistently have been, very low in Texas.

D. Service on the Board of Directors of an Organization Engaged in Community Development Activities

The Agencies propose to modify current Q&A § __.12(i) – 3 to include service on the board of directors as an explicit example of a technical assistance activity that can be provided to community development organizations and that would receive consideration as a community development service.

We support the proposed change and believe it will increase civic participation by bank personnel with community development organizations. In addition, such organizations further the objectives of CRA.

Additionally, we believe the Agencies should go further with the proposed modification and ensure that CRA consideration is more heavily-weighted toward giving banks, particularly regional and community banks, CRA credit for their employees' direct involvement with community organizations. Regional and community banks, such as IBC's subsidiary banks, should receive a higher CRA rating when their employees serve as volunteers with community organizations and when banks donate food, beverages, facilities and venues to community organizations which provide the community organizations with the opportunity to raise monetary funds for their endeavors. Large banks buy their CRA rating by purchasing large investments with little or no "boots on the ground." As previously noted, anyone can write a check to a community organization; however, the true essence behind CRA should be to encourage banks and their employees to become personally engaged in their communities and to help improve their communities by volunteering with community organizations. This is something that IBC's subsidiary banks do on a regular basis. For example, IBC's subsidiary banks in the past received a "Volunteer of the Year" award in recognition of their direct involvement with community organizations consisting of over 20,000 employee volunteer hours in one year. Most community organizations are in great need for volunteers (*e.g.*, United Way), facilities/venues, and in some cases, food and beverages. Accordingly, we believe the Agencies should go further with the proposed modification and acknowledge this need by expressly permitting regional and community banks to receive CRA consideration for the direct and indirect benefit that its employee volunteers, the donation of food and bank facilities, etc., all give to community organizations, including the critical opportunity to raise monetary funds for their organizations.

E. Proposed New Q&A Relating to Qualified Investments

The Agencies are proposing a new Q&A § __.12(t) – 9 to address the quantitative consideration that should be provided for community development loans and services and qualified investments so that the amount of consideration is consistent with the amount of support provided to the activity or entity with a community development purpose. New Q&A § __.12(t) – 9, would provide guidance to examiners about the amount of quantitative consideration to provide for these types of investments or loans. Examiners will give quantitative consideration for the dollar amount of funds that benefit an organization or activity that has a primary purpose of community development. This new Q&A is being proposed by the Agencies due to their view that if a financial institution loans to an entity that uses the proceeds of that loan to purchase an investment (*e.g.*, U.S. Treasuries), then that part of the loan should not receive CRA consideration.

We support the proposed new Q&A which clarifies the extent to which community development loans would count for CRA consideration. It seems reasonable. But, how would financial institutions be able to quantify? Does this in fact create a logistical issue for financial institutions? In other words, the proposed new Q&A reasonably identifies the portion of a loan's proceeds that are attributable to CRA activities. However, this particular item also creates a potential logistical hurdle for financial institutions that needs to be clarified by the Agencies.

F. Proposed New Q&A Relating to Community Development Lending (Large Institutions Lending Test)

The Agencies propose new Q&A § __.22(b)(4) – 2 to clarify that community development lending performance is always a factor that is considered in an institution's lending test rating. The proposed Q&A clarifies that an institution's record of making community development loans may have a positive, neutral, or negative impact on the institution's lending test rating.

We support the proposed new Q&A as we believe that community development lending has sometimes been undervalued in the past. Insufficient weight has sometimes been given to community development loans in CRA examinations.

Thank you for your consideration.

Respectfully,

Dalia F. Martinez
Executive Vice President
International Bank of Commerce—Laredo